This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: Horizontal Equity, Uncertainty, and Economic Well-Being

Volume Author/Editor: Martin David and Timothy Smeeding, editors

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-13726-0

Volume URL: http://www.nber.org/books/davi85-1

Publication Date: 1985

Chapter Title: Happiness, Affluence, and Altruism in the Postwar Period

Chapter Author: Frank Levy

Chapter URL: http://www.nber.org/chapters/c6145

Chapter pages in book: (p. 7 - 34)

1 Happiness, Affluence, and Altruism in the Postwar Period

Frank Levy

1.1 Happiness, Affluence, and Altruism

If an economist were asked to assess U.S. postwar economic performance, he would probably describe the period in three intervals:

> The late 1940s and 1950s were fairly good. Real wages grew very quickly. The period had three recessions but only the last one (1958–60) was severe. Inflation was low except when WW II price controls were lifted and when the Korean War began. When inflation was a problem, a year of recession was sufficient to end it.
>
> The 1960s were better. Real wages did not grow quite as fast in the 1950s but recessions were less of a problem. After 1963, the economy went on a sustained expansion. Unemployment fell more or less continuously until 1970. And inflation did not really emerge until the end of the decade.
>
> The 1970s were awful. The 1960s expansion left an inflationary inertia so that the 1970–71 recession was not enough to bring inflation under control. Then came the 1972–73 food price explosion and the first OPEC price rise. They generated supply-shock inflation that was even more immune to recession. After 1973, productivity stopped growing and real wages stagnated. And then there was another OPEC price rise to finish out the decade. It was terrible.

Frank Levy is professor of public affairs at the University of Maryland.
Support for this study came from the National Committee for Research on the 1980 Census, a Ford Foundation grant to the Urban Institute, and the Computer Science Center and the Division of Behavioral and Social Sciences of the University of Maryland. Particular thanks go to Richard Michel of the Urban Institute and Jack Citrin of the University of California, Berkeley, for discussions on the points in this paper, to Marilyn Potter of the Roper Center for helping to obtain various unpublished poll results, to Lee Rainwater of Harvard University for comments on an earlier version of this paper, to Joung Yong Lee of the University of Maryland for expert research assistance, and to Rosemary Blunck for preparation of the manuscript. Remaining errors are, of course, the author's.

The assessment appears non-controversial, yet it contains a large piece of thin ice. Terms like *pretty good, better* and *awful* imply something about not only the economy but about how people reacted to the economy. One could read the assessment as saying that people were happier in the 1960s than in the 1950s and least happy in the 1970s.

The most direct evidence of this proposition does not offer strong support. Periodically, the Gallup poll (officially the American Institute of Public Opinion—hereafter AIPO) asks questions with the following general form (e.g., AIPO 410): In general, how happy would you say that you are—very happy, fairly happy, or not very happy?

Responses to this question are contained in table 1.1. Data for the early postwar years through 1957 show a moderately increasing level of happiness—a possible reflection of rising real incomes. Then a six-year gap occurs during which time the question was not asked. When the data resumes in 1963, a trend is harder to discern. Interpretation is difficult because the precise wording of the question changes in 1963, 1973, and again in 1977. Moreover the 1977 response—the happiest in the series—comes from a poll that focused on religious habits and beliefs; responses for other years come from polls that focused on politics and the economy. When adjustments are made for these problems, the data suggest that the moderately rising level of happiness through the 1950s was followed by a roughly constant level of happiness thereafter.

Table 1.1 Distribution of Responses to AIPO Question

	Very Happy	Fairly Happy	Not Very Happy
April 1946	34	50	10
December 1947	42	47	10
August 1948	43	43	11
November 1956	47	41	9
September 1956(1)	53	41	5
September 1956(2)	52	42	5
March 1957	53	43	3
July 1963	47	48	5[a]
October 1966	49	46	4[a]
December 1970	43	48	6[a]
January 1973	52	45	3[b]
Various weeks 1974	57	41	2[b]
November 1977	42	48	10[c]

Source: Various AIPO polls.

Note: The AIPO question reads: "In general, how happy would you say you are—*very* happy, *fairly* happy, or *not very* happy?"

[a]Read "not happy" rather than "not very happy."

[b]Read "not at all happy" rather than "not happy."

[c]Read "not too happy" rather than "not very happy."

Ten years ago, Richard A. Easterlin (1974) wrote an ingenious essay interpreting these poll responses in the context of James Duesenberry's relative income hypothesis (Duesenberry 1952). Easterlin began by noting that *within any poll*, higher-income individuals were more likely than lower-income individuals to report themselves as happy. He contrasted this association with his perception of a weaker association over time when real incomes were rising for everyone. He also examined data from Cantril's cross-national study (Cantril 1965) which showed a similar lack of association between a country's per capita income and the self-reported happiness of its population.

Together these data provided Easterlin with a basis for an application of the relative income hypothesis. In the application, an individual's happiness depends on the relationship between his income and his needs, but his needs are heavily conditioned by what he sees around him. If incomes were to rise uniformly, an individual's relative position (apart from life-cycle considerations) would remain unchanged, and so his individual happiness would not increase.

Easterlin's argument is appealing but it raises two problems. First, it does not explain the rising level of happiness in the early postwar years. Second, it leads to an overemphasis of private, versus public, consumption. As Easterlin writes:

> Finally, with regard to growth economics, there is the view that the most developed economies—notably the United States, have entered an era of satiation. . . . If the view suggested here has merit, economic growth does not raise a society to some ultimate state of plenty. Rather, the growth process itself engenders ever-growing wants that lead it ever onward. (1974, p. 121)

In the Easterlin-Duesenberry argument "ever-growing wants" refers to additional *private* consumption. It is private consumption, after all, that provides one's easiest comparisons with one's neighbors. But the focus on private consumption ignores important history.

The largest omission is the growth of the public sector. In 1947, all government nondefense outlays accounted for 14 percent of GNP. By 1980 these outlays had grown to 28 percent of GNP. In explaining this growth, the mid-1960s emerge as a particularly pivotal period during which the federal government instituted health insurance for the aged, the War on Poverty, aid to elementary and secondary schools (with emphasis on compensatory education) and other areas, which significantly redefined the role of the public sector.

To be sure, these Great Society years were distinguished not so much by growing expenditures as by new initiatives that would obligate future expenditures. Administration officials occasionally acknowledged the problems they were creating for future administrations. But they felt they had a rare opportunity, a narrow window, during which they had to finish what the New Deal had left undone (Moynihan 1967; Sundquist 1968).

Their opportunity came from a particularly sympathetic public. When government officials of the time proposed a new initiative, they emphasized its "public good" aspects: the way in which aiding the poor, the elderly, or the disadvantaged would make the United States a more humane place for everyone. Consider, for example, Lyndon Johnson's eloquent Howard University speech on equality for blacks:

> . . . There is no single easy answer to all of these problems.
>
> Jobs are part of the answer. They bring the income which permits a man to provide for his family.
>
> Decent homes in decent surroundings, and a chance to learn—an equal chance to learn—are part of the answer.
>
> Welfare and social programs better designed to hold families together is part of the answer.
>
> Care of the sick is part of the answer.
>
> An understanding heart by all Americans is also a large part of the answer.
>
> To all these fronts—and a dozen more—I will dedicate the expanding efforts of the Johnson Administration.
>
> . . . This is American justice. We have pursued it faithfully to the edge of our imperfections. And we have failed to find it for the American Negro.
>
> It is the glorious opportunity of this generation to end the one huge wrong of the American Nation and, in so doing, to find America for ourselves, with the same immense thrill of discovery which gripped those who first began to realize that here, at last, was a home for freedom. (Quoted in Rainwater and Yancey 1967, pp. 131–32)

The rarity was not in Johnson's argument,[1] but in the number of people who agreed with it. While the majority of the population did not demand such initiatives, they did form, in V. O. Key's phrase, a "permissive consensus" that allowed the government to implement its liberal agenda (Key 1961, p. 33). This willingness to experiment with public consumption (in hopes of increasing the general welfare) is not contained in Easterlin's reading of Dusenberry's theory. In this paper, we view the origins of the mid-1960s consensus from a somewhat different perspective.

A sensible explanation of the mid-1960s must account for both the origins of public consensus and its subsequent demise. By most estimates, the

1. A more modern example of public good rhetoric occurs in remarks by Walter Mondale while campaigning for the Democratic presidential nomination in New Hampshire: "Most of us in this room are like [my mother and father]. You're not going to get rich, but the chances are you're going to have a wonderful life, and that's where fairness comes in. You can lose your job. You can become ill. Kids can be born deaf and handicapped. We have to care. We believe in self-reliance but we must believe in compassion. We are not a jungle where just the richest and fittest prosper. We are a community, a family, we must care for one another" (quoted in the *New York Times*, 18 Feb. 1984, p. 7).

consensus for new initiatives peaked in 1964–66 and then began to erode. Government, acting in part on inertia, produced occasional new programs through the late 1960s and early 1970s, with the universalization of food stamps (1971) and the federal take-over of aid to the aged, blind, and disabled (1972) marking the end of the period. The remainder of the 1970s was increasingly dominated by antigovernment and antitax sentiment.

History affords few natural experiments; thus it is not surprising that the mid-1960s consensus has attracted a variety of explanations. The origin of consensus has been ascribed to the growth of the civil rights movement, and to the combination of John Kennedy's assassination and Barry Goldwater's candidacy (Sundquist 1968). The end of consensus has been ascribed to the devisiveness of the Vietnam War and to Watergate. But while all of these explanations sound plausible, none by itself is sufficient.

Consider, for example, the combined effects of the Kennedy assassination and the Goldwater candidacy. They were traumatic experiences that led to a Democratic president and Democratic congressional majorities. A rough parallel existed in 1976 when, in the aftermath of Watergate, the country again elected a Democratic president with Democratic congressional majorities. Despite the parallels, Jimmy Carter had only a fraction of the legislative success enjoyed by Lyndon Johnson. Part of Carter's lack of success was due to his political style, but part was due to the temper of the times: If people accepted "public good" arguments in the mid-1960s, they clearly rejected those arguments in the 1970s. They had seen too many government programs in the intervening years to retain their enthusiasm.

This dependence of current attitudes on past experience leads us to look for a more generic explanation of the mid-1960s, an explanation that (like Easterlin's explanation of happiness) does not rest too heavily on particular presidents, wars, or scandals.

One such explanation involves a slight elaboration of a public-private cycle recently advanced by Albert Hirschman. In *Shifting Involvements* (1979), Hirschman argues that industrialized societies move between periods emphasizing private material gain and periods emphasizing public (i.e., collective) action. The cycle's motivation is the disappointment that arises when either kind of "consumption" fails to provide the satisfaction it promised ex ante.

In his writing Hirschman discusses government programs under the heading of private material gain (pp. 39–46). But his examples make clear that he is describing those government programs that are most like private goods—the public education a father and mother "purchase" for their children. Conversely, the redistributive programs of the mid-1960s are best thought of as government extensions of Hirschman's collective action.

With this modification, the Hirschman cycle begins with a period of rising consumption and rising happiness. After a time the attraction of increasing affluence begins to wear thin. This leads to the cycle's second phase in which popular opinion becomes receptive to both public causes and those government programs that advance the "public good." (Again, it is the public or collective nature of such programs that is important. A war against poverty, properly presented, can fit the category. A war against potholes in one's own neighborhood cannot.)

If the government takes up this mandate, the public will find that the country is not improved as easily as they had hoped (or as the government had promised). Their disappointment in public goods—the Hirschman cycle's third phase—leads to a returning emphasis on private affluence.

In this chapter we ask whether a Hirschman cycle lay behind the mid-1960s consensus. Given the limits of public opinion data—gaps in time series, questions with changed wording—the case for the cycle is reasonably strong. The result increases our understanding of the postwar American experience in two ways. Not only does it give us a better explanation of the mid-1960s consensus, but it helps to explain why the federal government could look so good in the mid-1960s and so bad thereafter. And, as a final point, we will find that the Hirschman cycle and the Easterlin-Dusenberry hypothesis are not so different as they first appear.

We will develop the argument in the three sections that follow. In section 1.2 we briefly review the macroeconomic history of the postwar period and public reaction to economic conditions. We conclude that people's economic optimism rose through the 1950s and that by the late 1950s they appear to have put the uncertainty of the Great Depression, World War II, and the Korean War behind them. This trend is consistent with the trend of increasing happiness during the period (table 1.1) and suggests that if a Hirschman cycle existed, support for public goods should have grown at about this time.

The economic data also show that people became uncertain about the economy at the end of the 1960s; the data became particularly gloomy after the food and oil price inflation of 1973–74. If a Hirschman cycle existed, disappointment with public goods could have begun well before this time, but adverse economic conditions would have reinforced the turn back to private consumption.

In section 1.3 we review opinion data for the existence of a Hirschman cycle. In the late 1950s, the most obvious examples of broad public goods were redistributive programs. We find that during this period, sentiment in favor of such programs was high and increasing. Initially this sentiment did not translate into new programs as Presidents Eisenhower and Kennedy were reluctant to propose substantial new spending. Their reluctance, if anything, made people more amenable to Lyndon Johnson's public good arguments because there were few recent examples of public good programs that had failed. It was under Johnson that substantial new initiatives began, and our data show that not long afterwards sentiment in favor of redistributive programs began to dissipate.

In section 1.4 we summarize our findings and apply them to understanding the role of government in the 1960s and 1970s. We conclude by briefly reconciling the Hirschman cycle with the Easterlin-Dusenberry argument.

1.2 The Postwar Economic Landscape

The experience of the Great Depression and rationed wartime consumption dictated that people would enter the postwar period with a hunger for private consumption. The question is, when, if ever, did this hunger abate: Did private consumption grow enough and become sufficiently secure to cause public opinion to shift toward collective welfare as Hirschman's cycle predicts?

We begin to answer this question by briefly reviewing the economics of the postwar period, with particular emphasis on the path of incomes. In the early years of the period, the dominant single factor was rising productivity. Between 1947 and 1959 the growth of output per manhour in private business averaged 3.3 percent per year compared to 2.5 percent per year for both the 1910–29 and 1930–39 periods. The high growth rate was important because it translated into rapidly rising real wages (table 1.2).

Consider a man who, in 1949, was in his late twenties. In that year his income would have been about $11,100 (in 1982 dollars). If he had looked to men in their late thirties to see what his own future might hold, he would have guessed that his income would rise by 13 percent ($12,491/$11,070) over the next ten years. In fact, his income over 1949–59 would increase not by 13 percent but by 64 percent. Taken by itself, this

Table 1.2 **Median Incomes (from All Sources) for Men by Age, 1949–79 (all figures in 1982 dollars based on CPI adjustments)**

	Median Income			
Male Age Groups	1949	1959	1969	1979
20–24	$ 6,998	$ 8,520	$ 9,618	$ 8,415
25–34	11,070	15,972	21,053	19,641
35–44	12,491	18,098	23,865	24,486
45–54	12,062	16,879	23,060	24,167
55–64	10,430	14,505	18,997	19,956
65+	4,652	5,848	7,530	8,545

Note: Median is defined over all men with at least one dollar of income from any source. This group typically represents 99 percent of all men in a single age group.

Sources: Decenial Census 1950, 1960 and various *Current Population Reports*.

performance in excess of expectation should have left him feeling quite good.

But there were other factors. The Korean mobilization, including the imposition of price controls, came only five years after World War II and rekindled fears of wartime austerity. Moreover, the demand side of the economy created a variety of year-to-year fluctuations. There were three bursts of inflation during 1946–48 (11 percent per year), 1951 (8 percent), and 1956–57 (4 percent). Similarly, there were three recessions in 1949 (when unemployment reached 5.9 percent), 1954 (5.5 percent), and 1958–60 (when unemployment averaged 5.9 percent).

The income figures in table 1.2 make clear that despite demand-side fluctuations, everything "came out all right." But this, of course, is an ex post conclusion. Ex ante, people had a variety of worries. For example, throughout World War II, the population was acutely aware of the role of war production in ending the Great Depression. They were unconvinced that another depression could be avoided at the war's end. Consider the following National Opinion Research Center question (NORC #233, Q14) asked in 1945: "For the first year or two after the war, which of these things do you expect: enough jobs for everybody, some unemployment, or a lot of unemployment?" Thirty-eight percent expected enough jobs for everybody, an outlook more optimistic than two years earlier, but 25 percent expected a lot of unemployment.

Similarly, Gallup frequently asks respondents to name the most important problem facing the nation, a question that permits a completely open-ended response. Smith's analysis of these data shows that in much of the postwar period, fears of war and social disorder kept economic concerns from the top of the list. But economic concerns did dominate the list in the immediate postwar period, in response to a feared second depression, as well as the then current inflation and a wave of postwar labor strikes (Smith 1980). Together these data suggest that the economics of the early postwar years were good but anxious.

The economics of the middle years were good and less anxious. Productivity declined slightly but remained high in historical terms, so a man in his late twenties in 1959 would have seen his real income grow by 49 percent over the next ten years (table 1.2). Anxiety was reduced because this income growth was accompanied by stable demand. After 1961, unemployment declined more or less steadily for the rest of the decade, falling from 6.7 percent in 1961 to 3.5 percent in 1969. Moreover, this expansion appeared to be the result of conscious government policy—not simply a lucky roll of the dice. With the wisdom of hindsight, we know the Keynesian triumph of John Kennedy and Lyndon Johnson depended on external and inherited conditions as much as on policy per se (Levy and Michel 1983). But for a brief time it appeared that economic policymakers had discovered how to successfully run the economy, much as an engineer discovered how to place a satellite in orbit.

The first break in economic performance came as inflation reasserted itself, reaching 6.1 percent in 1969. To a large extent the inflation arose from Lyndon Johnson's decision to pay for the Vietnam War buildup through deficit financing. This was clearly bad economic policy, so it was possible to continue believing that good policy would produce economic success.

The faith in good policies' power did not survive many more years. When Richard Nixon took office in 1969, his first priority was to reduce the inflation he had inherited. Earlier postwar episodes suggested a short recession would do the trick. But in practice the 1960s expansion had created a kind of inflationary inertia, so that while the economy entered a recession in early 1970, prices were still rising by 4.7 percent per year in mid-1971. The difficulty of slowing inflation (even in a slack economy) caused Nixon to adopt wage and price controls—policies that were accompanied (and weakened) by an expansion of the money supply that was designed to reduce unemployment in time for the 1972 election (Blinder 1979).

The 1969–71 experience suggested that even the best policy could not reproduce a 1960s expansion automatically. Still worse news came when, in 1973–74, the economy was hit with two supply shocks—one in food and the other in oil—that caused annual inflation to reach 11 percent in 1974. This shortage-driven inflation owed nothing to bad economic policy and no "good" policy could produce a quick cure. Initial attempts to fight the inflation by restrictive policies only reinforced the way in which higher energy prices served as a substantial tax, sending large amounts of purchasing power out of the country. The country reentered recession with unemployment reaching 8.5 percent in 1975, a postwar high. Moreover, the combination of rapidly increasing energy prices and general economic chaos caused productivity to collapse, a condition that would continue through the decade (e.g., Denison 1983).

The combined effects of inflation, unemployment, and the productivity collapse can be seen by repeating our example of the man in his late twenties who, in 1969, might have expected a 13 percent income increase over the next ten years. In reality his income increased by about this amount; but most of the growth took place before 1973, and during the rest of the decade his income remained in a holding pattern (table 1.2).

In summary the late postwar period suffered in three respects: income growth was much lower than in earlier periods, year-to-year fluctuations were very high, and the country had to relinquish the recently acquired impression that someone in Washington was in charge of the economy.

To this point, we have discussed the postwar period in macroeconomic terms. If we are to examine Hirschman's cycle, we must determine how people reacted to these macroeconomic variables. In particular, we need to see whether there was a point at which people began to feel that they were doing well and expected to do still better in the future, i.e., a point at which they began to take income growth for granted. It is at this point that we might expect sentiment to begin to shift toward collective action and public goods.

Data assessing individual financial status are available from the answers to questions on financial changes that are regularly posed by the University of Michigan Survey Research Center (SRC). Typical formulations read:

Retrospective Financial Situation. We are interested in how people are getting along financially these days. Would you say that you (and your family living there) are better off or worse off financially than you were a year ago?

Prospective Financial Situation. Now looking ahead—do you think that a year from now, you (and your family living there) will be better off financially, or worse off, or just about the same as now? (Converse et al. 1980, pp. 235 and 248)

Graphed responses to the retrospective question appear in figure 1.1. While responses are obviously influenced by short-term macroeconomic fluctuations, the data—in particular the proportion feeling worse off than a year before—divide into three periods. The first period, 1947–60, shows a general downward trend in the proportion who see themselves as worse off than a year earlier. The proportion reaches a low point (i.e., things are

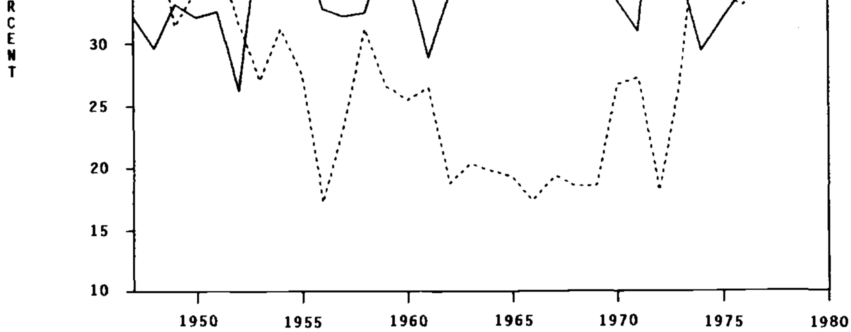

Fig. 1.1. Perception of recent changes in economic status, 1947–78.

getting better) in the 1956 recovery from recession. In 1957 through 1960 it averages 27 percent, nine points lower than the average of ten years earlier.

In the second period, 1962–69, the proportion seeing themselves as worse off than last year averages 19 percent, a sustained and historic low. This number clearly reflects the 1960 expansion.

The third phase begins in 1970 as the economy entered recession. Here the proportion of people who saw a decline in financial status rose to 27 percent in 1970–71, dipped briefly in the 1972 recovery (which was abetted by President Nixon's wage and price controls), and then exploded to 42 percent with the onset of the food and energy price inflations. It averaged 34 percent for the remainder of the decade.

Expectations about next year's financial status are graphed in figure 1.2. Here the proportion expecting to be financially better off shows the greater variation, and this proportion also divides into three periods. During the late 1940s and early 1950s, the proportion tends to move slightly upward from 30 percent to about 33 percent. It then jumps to 35 percent in 1959 and 40 percent in 1960–61.

The second phase lasts from 1964 to 1969 when the proportion expecting to be better off averages a high 38 percent. The third phase begins in 1970 when optimism starts to falter. After a brief recovery, the proportion expecting to be better off collapses to 24 percent in 1974, a level from which it has not fully recovered.

In casual discussion—e.g., the historical sketch that opened this essay—we divide the postwar period into the decades of the 1950s, the

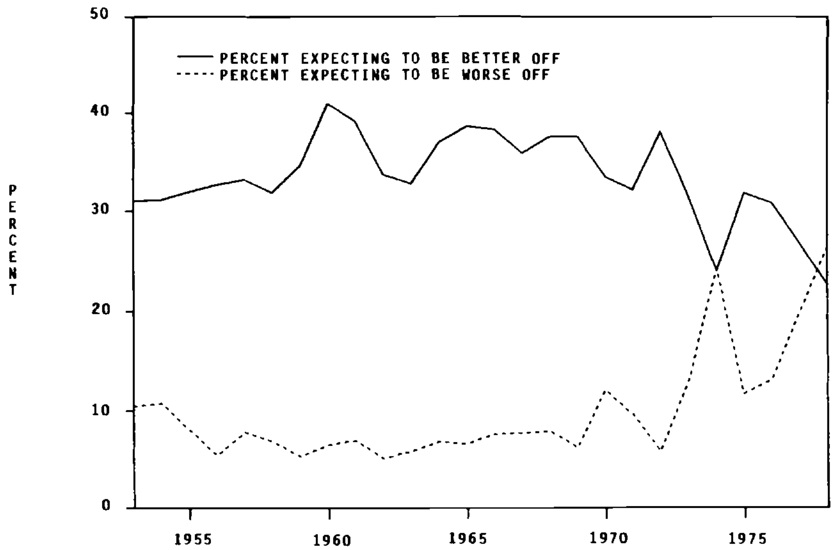

Fig. 1.2. Expectations about next year's economic status, 1953–78.

1960s, and the 1970s. The data in figures 1.1 and 1.2 suggest one important qualification: the economic optimism associated with the early and mid-1960s actually began in the late 1950s. There was much to be optimistic about. A second Great Depression had not occurred. Inflation had not been a serious problem since the Korean War. The Korean War itself had ended several years earlier, and no new war was on the horizon. And perhaps most important, real incomes were growing. Between 1947 and 1959, median family income had increased by 47 percent. The skies were not cloudless: the 1958–60 recession underlined the continued impact of short-term fluctuations. But even this recession did not seriously dampen future expectations (figure 1.2). And when people compared their situation to that following the end of World War II, they had come a long way.

If Hirschman is correct, it is in the late 1950s that we should expect public opinion to become more favorably inclined toward what we have called public goods. We shall examine this proposition in the next section, but first we note one additional point.

Suppose public sentiment did shift toward public goods and government responded to this shift with new programs. The Hirschman cycle predicts that the public would become disappointed in these new programs, regardless of any external factors. In particular, the public would not require an actual deterioration in their private consumption to become disappointed in public goods. But if a deterioration in private consumption did occur, the disappointment would presumably be amplified.

We have seen in both the economic and opinion data that such a deterioration began slowly in 1970 and accelerated sharply in 1973–74. It follows that any reemphasis of private consumption should have been reinforced by these events. We will return to this point in the next section.

1.3 Public Opinion on Public Goods

> America has become bored with the poor, the unemployed, and the insecure.

It is easy to picture the welfare state as having grown steadily since the Great Depression. In fact, the growth was not that steady. The quotation above comes not from a 1980 liberal reformer but from Harry Hopkins (Leuchtenberg 1963, p. 274). Hopkins, writing in 1937, perceived public opinion to be substantially cooler to the New Deal than it had been four years before, and he wondered if New Deal legislation would soon be dismantled.

We know that by the mid-1960s opinion had again shifted, and the public supported legislation that went substantially beyond the New Deal. The question raised by the Hirschman cycle is whether a significant part of this shift occurred in the late 1950s when economic growth had become secure. Within the limits of available data, the answer appears to be yes.

To begin with, public trust in government was high and increasing. This view is summarized in Miller's Trust-in-Government Index (Miller, Miller, and Schneider 1980, p. 268). The index, displayed in figure 1.3, is based on a series of individual questions including:

a. How much of the time do you think you can trust the government in Washington to do what is right—just about always, most of the time, or only some of the time?
b. Do you feel that almost all of the people running the government are smart people who usually know what they are doing, or do you think that quite a few of them don't seem to know what they are doing?
c. Do you think that people in the government waste a lot of money we pay in taxes, waste some of it, or don't waste very much of it? (Miller, Miller, and Schneider 1980, pp. 257–65)

In 1958, the first year in which the index was calculated, 58 percent of the sample fell into the "trusting" category while 11 percent fell into the cynical category. As shown in figure 1.3, the proportion expressing trust increased to 61 percent in 1964 (the next year for which data exists). But after 1966 the proportion would never again exceed 48 percent. Even in 1958 all was not perfect harmony: Responses to (*c*) above indicated that 43 percent of all respondents felt the government wasted "a lot" of money. But this high proportion would only grow larger as time passed.

The progovernment sentiment in figure 1.3 implies that people regarded the government as competent. It is therefore not surprising that the public supported increases in a variety of broad-based government pro-

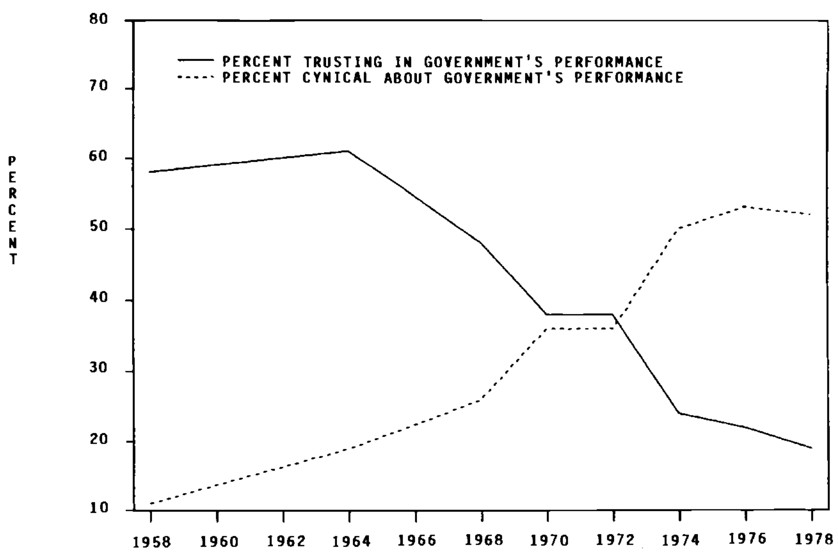

Fig. 1.3. Trust-in-Government Index.

grams, including public education and housing, programs from which typical poll respondent might immediately benefit (e.g., Converse et al. 1980, p. 382) But if the Hirschman cycle is correct, we should also find high and rising support for programs that benefit most respondents only indirectly—what we have called public goods. In the late 1950s, the most obvious kind of public goods involved programs of aid to the poor, programs that became an important part of Lyndon Johnson's agenda. Existing poll data provide approximate time-series evidence on two such programs—government provision of jobs and welfare assistance.

Support for government provision of jobs is displayed in figure 1.4. In examining the data, it is necessary to examine the precise wording of the question underlying each response. The December 1945 response comes from the question:

> Do you think it should or should not be up to the government to see to it that there are enough jobs in the country for everybody who wants to work? (cited in Schiltz 1970, p. 189)

Sixty-nine percent of all respondents agreed with this statement.

The 1947 question reads:

> If it looked as if we were going into another depression that would bring large-scale unemployment, what do you think the government should do—see to it that people don't go hungry but let business and industry take the lead in solving the problems of unemployment or take full re-

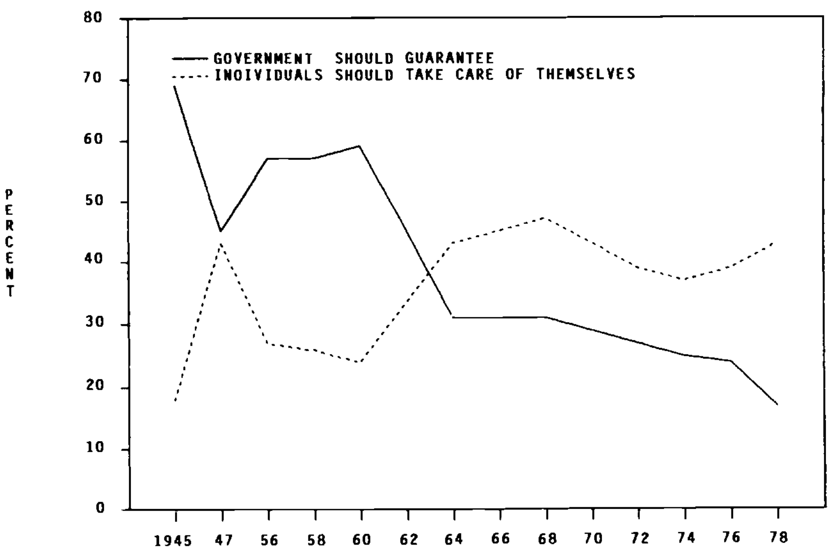

Fig. 1.4. Attitudes on government guarantee of a job and a good standard of living.

> sponsibility for seeing that there are enough jobs to go around and take whatever steps are necessary to accomplish this? (Schiltz 1970, p. 189)

Forty-five percent of all respondents felt the government should take full responsibility, a fourteen-point drop in support in two years. Part of this drop undoubtedly reflected the different nature of the 1947 question. But declining support also reflected changing times. The postwar economy had not immediately returned to depression, and the Truman administration was being pressed to cut back defense spending to permit tax cuts (Stein 1969, chap. 9). The government was not an unambiguous economic ally of the people.

From 1956 (the next time the question was asked) through 1960, the respondent was shown an opinion scale running from *agree strongly* through *disagree strongly* and was asked to assess the following statement:

> The government in Washington ought to see to it that everybody who wants to work can find a job. Do you have an opinion on this or not? (Bishop, Oldendick, and Tuchfarber 1978, p. 90)

Fifty-seven percent agreed or agreed strongly with this statement in 1956, a fraction that rose to 59 percent by 1960. This statement is similar to the 1945 question, with an important contextual difference: In 1945 poll respondents were facing a possible second Great Depression after the war and they could imagine having to take government jobs themselves. In 1956, a guaranteed job affected a minority of the population and benefited most poll respondents only as a public good. The high and rising support for government jobs in the late 1950s—i.e., support for public jobs as a public good—is one piece of evidence in favor of a Hirschman cycle.

In 1964, when the question was next asked, the proportion favoring jobs provision was cut in half, falling to 31 percent. We shall see below that a small part of this "disappointment" is explicable even though the Great Society was barely under way. But the more direct cause of the decline was another change in wording. The 1964 question reads:

> In general, some people feel that the government in Washington should see to it that every person has a job and a good standard of living. Others think the government should just let each person get ahead on his own. Have you been interested enough in this to favor one side over the other? (Bishop, Oldendick, and Tuchfarber 1978, p. 91)
>
> [If the response is yes, the person is asked to give his opinions: government should do it; it depends; each person should get ahead on his own.]

Because the question poses the specific alternative of getting ahead on one's own, it can be expected to dilute sentiment in favor of government employment even without an actual shift in preference (Bishop, Oldendick, and Tuchfarber 1978). Thus it is not clear how much of the 1960–64

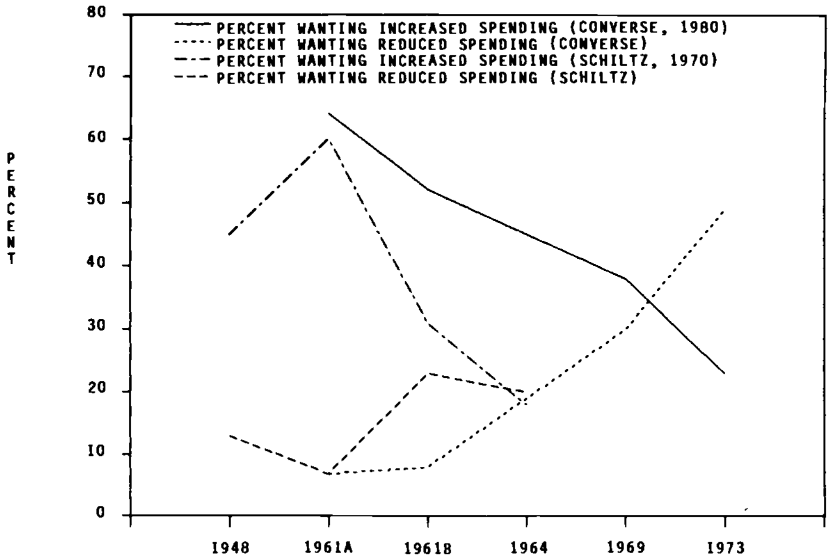

Fig. 1.5. Government spending on welfare.

decline in support is real. But the same question is used for the remainder of the series, and the eroding support after 1968 (in response to the same question) also is consistent with Hirschman's argument.

Figure 1.5 charts the proportion of the population who say that welfare expenditures should be increased and the proportion who say that welfare expenditures should be decreased. (In all polls, people can respond that expenditures should remain the same.) Two researchers have constructed series on this question (Schiltz 1970, p. 152; Converse et al. 1980, p. 387). Since the two series cover largely different time periods and since they differ (in level but not in trend) where they do overlap, both series are displayed in figure 1.5.[2]

When asking questions on welfare, the element of wording involves a reference to the needy population. Ceteris parabus, "increased welfare expenditures to help the needy" elicits far greater support than "increased welfare expenditures" per se. In the case of the Schiltz series, the 1948 and 1960 questions both contain references to the needy. The rise in support favoring such increases from 45 percent in 1948 to 60 percent in 1960 is not an artifact of wording, and this growing positive attitude toward welfare is consistent with the Hirschman cycle's prediction (figure 1.5).

2. The difference between the series may arise from unreported differences in wording. While Schiltz explicitly gives the wording of the question used in each observation, Converse et al. 1980 uses one representative question per series, and the precise wording of each question cannot be readily ascertained. The impact of such changes in wording is explored in Bishop et al. 1978.

Questions in the Schiltz series drop references to the needy after 1960, undoubtedly accounting for much of the decline in support from 1960 (60 percent favoring increasing spending) to 1961 (35 percent). But the drop between 1961 and the next observation in 1964 is, as we shall see, consistent with Hirschman's conception of disappointment.

The few observations of the Converse series show a similar pattern involving a high level of support for increased welfare spending in 1960–61, a much lower level of support in 1969 (the next time the question was asked), and a still lower support in 1973.

Such data as exists, then, supports the development of a consensus for redistributive programs in the late 1950s and a deterioration of this consensus by the late 1960s. This pattern is consistent with a Hirschman cycle, but several points require further elaboration.

Beginning the development of consensus in the late 1960s did not mean that government initiatives immediately began to grow. Dwight Eisenhower felt strongly that he should hold down federal expenditures (Stein 1969, chaps. 11, 12); later John Kennedy assumed office with much rhetoric but little in the way of specific redistributive proposals. In one sense, the caution of these presidents amplified Hirschman's mechanism. Had Eisenhower or Kennedy tried an ambitious new intervention—say, a war against illiteracy—that failed, people might have become more skeptical about what the federal government could accomplish. But in fact, no such counterexamples were available, leaving the majority of the population amenable to Lyndon Johnson's description of his agenda.

A second amplifying factor was the nature of the 1960s economy. In section 1.2 we saw how the economy expanded continuously after 1961. The expansion created both rising real incomes and rising government revenues. Government programs could be financed with foregone tax cuts rather than new taxes. This meant that Lyndon Johnson's agenda apparently cost little, making it even more attractive.

But as the agenda unfolded, disappointment, in several varieties, ultimately set in. One unexpectedly early source of disappointment was the urban riots. Given the civil rights revolution a significant part of Johnson's agenda (including Head Start, etc.) was seen as a way to aid blacks. The urban riots of 1964 and 1965 were a first sign that any war on poverty would not be as easy or safe as it first appeared (at least to people outside the South). These riots are in part responsible for the rapid declines in support seen in figures 1.4 and 1.5.

A second source of disappointment, directly implied by Hirschman, came from boredom. The media—in particular, television—thrive on tragedy and movingly describe the hungry and the sick. This description is an important factor in the public good benefits that accompany programs of government assistance. But once a program is initiated, assistance becomes less interesting, particularly if it is successful and its recipients are in less dire straits. A hungry child receiving his first free school breakfast is, in television parlance, a "good visual." A well-fed child receiving his fiftieth school breakfast is not. Through this process, even the best redistributive programs lose support over time.

A final source of disappointment was expense. In section 1.1 we noted that Johnson administration officials were aware that their initiatives might become increasingly costly in future years. The reality was worse, in several ways, than they had anticipated. Medicare (for the elderly) and Medicaid (for the poor) together substantially increased medical cost inflation and program expense. In the early 1970s, Congress tied food stamps, Social Security, and other benefits to consumer prices, just before the 1973 food price explosion and the first major oil price increase. While wages failed to keep pace with this inflation, these benefits did (by law). This meant that the program costs became more expensive absolutely and took a greater relative share of output.

These varieties of disappointment had real consequences because while some programs were tied to consumer prices, others including Aid to Families with Dependent Children, required specific legislation for any increases. This legislation was more responsive to public attitudes. Thus Peter Gottschalk has shown that all cash transfers (including Social Security, etc.) generally rose as a percentage of national income during the 1970s. But income-tested cash transfers began the decade at 1.11 percent of national income, peaked at 1.34 percent in 1975, and declined thereafter until they equaled 1.05 percent in 1980 (Gottschalk 1982).

In retrospect, much of the disappointment in public goods appears unavoidable. A public highway continuously provides services to a large constituency. But a redistributive program reaches a broad constituency only as a public good and so, as we have argued, attains its highest support when it is initiated. Put simply, no such program could be as consistently exciting as Lyndon Johnson said it would be.

But although the disappointment was partially unavoidable, it was also due to bad luck. The most obvious element of bad luck was the food and oil price inflation of 1972–74 and the subsequent collapse of productivity. Without these events, real incomes in 1979 would have been 25 to 30 percent higher (about $29,000 rather than $24,000 for the thirty-five- to fifty-four-year-old men in table 1.2). The burden of government expenditures would have been lighter. And perhaps more important, people would have been more secure about their personal economic situation.

At the end of section 1.2 we argued that if during the Hirschman cycle such insecurity arose, it would only reinforce the return to private well-being. We close this section with a piece of evidence on this point drawn from the attitudes of college freshmen. These attitudes have been measured annually since 1966 in polls conducted under the auspices of the American Council on Education (*The American Freshman* 1967). Every poll includes a set of questions about life goals, which the respondent is to rate on a four-point scale running from "essential" to "not important." One of these goals is "being very well off financially" and a second is "helping people in need." Figures 1.6 and 1.7 show the proportion of male and female students, respectively, who rated each goal "essential" or "very important" (the second-highest rating).

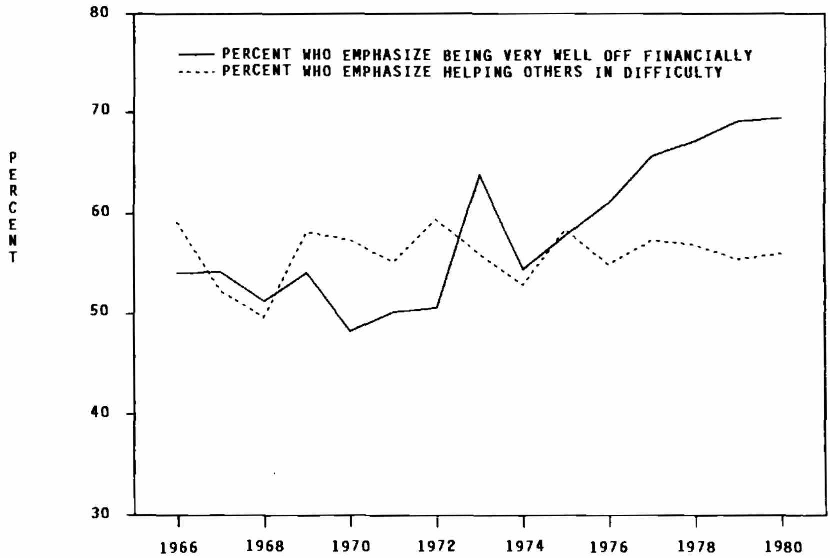

Fig. 1.6. College freshman attitudes on selected life goals (male).

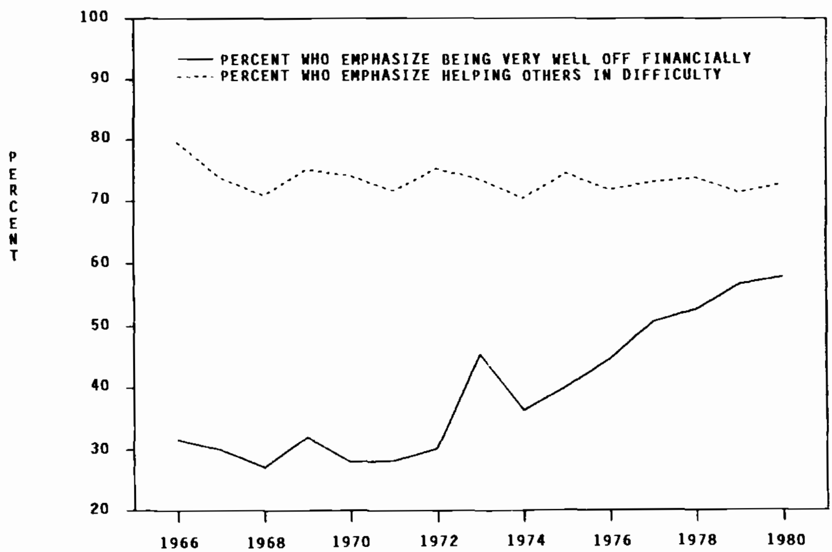

Fig. 1.7. College freshman attitudes on selected life goals (female).

Because the polls begin in 1966, we would expect that the sentiment in favor of helping the needy to have already peaked. This is in fact the case—the series for both sexes shows a slight downward trend over the period. Conversely, the emphasis on doing well financially shows a dramatic turn-around in 1973. For men, this proportion had shown a slightly downward trend over the late 1960s and early 1970s; but in 1973 alone it jumped from 51 percent to 64 percent and, with one dip, continued increasing to 69 percent by the end of the decade. The corresponding proportions for women show a similar pattern with a jump from 30 percent in 1972 to 46 percent in 1973. These freshmen did not massively disavow the goal of helping people in need, but the dramatic drop in its relative importance is consistent with the idea that Hirschman's cycle was amplified by a bad economy.

1.4 A Conclusion and Reconciliation

The data reviewed in section 1.3 suggest that a Hirschman cycle began in the late 1950s and extended through the 1970s. The cycle's shift from private material gain to public goods helped motivate the opening in public opinion that was seized upon by Lyndon Johnson. The subsequent disappointment with many of the Great Society programs helps explain why this consensus ended.

Beyond explaining the mid-1960s period the Hirschman cycle also provides insight into how government could look so good in the 1960s and so bad thereafter. Part of the reason, of course, was economic. We have seen that most of the 1960s was spent in a sustained expansion for which the government took more than its share of credit. But equally important was the brief popular romance with public goods. People had high hopes for what government might accomplish, and the government was able to respond with new initiatives. The government, in short, was in a particularly good position to give people what they wanted.

Government's situation in the 1970s was an almost mirror image. The decade was spent in economic stagnation for which government took a disproportionate share of blame. The 1960s enthusiasm over (yet-to-be-initiated) public goods had been replaced with disappointment. But in response to this disappointment, there was little government could do. Government, of course, has a harder time reducing programs than letting them grow. And in the case of the United States in the 1970s, the indexation of many program benefits made reductions nearly impossible because they would require reneging on highly visible promises to keep real benefits intact. Here, then, government was in a particularly bad position to give people what they wanted.

Thus Hirschman's cycle helps us to understand the preconditions of the Great Society and, more generally, the shifting sentiments toward and away from government over the postwar period. But if Hirschman's analysis is useful, there remains the question of whether Easterlin's description of the postwar period is wrong.

The answer, it appears, is not that Easterlin's theory is wrong but that it is too cryptic, a comparative static argument that ignores the movement from one equilibrium to another. Consider again Easterlin's argument. Happiness depends upon one's relative income. If incomes rise throughout society, average happiness should remain unchanged.

The argument may hold for (static or dynamic) equilibrium but when incomes are changing in unexpected ways other standards may come into play. For example, one may judge one's current income by one's past income or by what one expected to be making in the current period. We have argued that the growth of real income over the 1950s was much better than what people expected at the end of World War II. This performance in excess of expectations can explain the rising trend of happiness during the period (which a pure relative income interpretation cannot). In this interpretation, only after economic growth was taken for granted did the growth of happiness slow.

When viewed in this light, the Easterlin argument and our interpretation of the Hirschman cycle are quite similar. It is well known that within any sample, richer individuals are more "public regarding" and have a greater taste for public goods as we have defined the term (e.g., Schiltz 1970, chap. 6).

In Hirschman's argument, as the population grows richer, it becomes, on average, more public regarding. But this attitude lasts only for a certain period of time, after which the population returns to its prior emphasis on private consumption. Here, too, one can argue that people temporarily confuse a rise in absolute income with a rise in relative status and modify their behavior as long as the confusion persists.

This consideration of dynamics does not completely reconcile the two theories, but it moves them toward a common message: Economic growth may not induce permanent changes in either the average level of society's happiness or society's attitudes toward public goods. But permanent changes are not the only test of importance: If economic growth can induce temporary changes in these attitudes, the consequences for society can still be profound.

References

The American freshman: National norms. 1967 and subsequent editions. Cooperative Institutional Research Program. American Council on Education: Washington, D.C.

Bishop, George F., Robert W. Oldendick and Alfred J. Tuchfarber. 1978. Effects of wording and format on political attitude consistency. *Public Opinion Quarterly* 42, no. 1: 81-92.

Blinder, Alan S. 1979. *Economic policy and the great stagflation*. New York: Academic Press.

Cantril, Harley. 1965. *The pattern of human concerns*. New Brunswick, N.J.: Rutgers University Press.

Converse, Phillip E., Jean D. Datsun, Wendy J. Haas and William H. McGee III. 1980. *American social attitudes data sourcebook, 1947–1978*. Cambridge: Harvard University Press.

Denison, Edward D. 1983. The interruption of productivity growth in the United States. *Economic Journal* 93, no. 369: 56–57.

Duesenberry, James S. 1952. *Income saving and the theory of consumer behavior*. Cambridge: Harvard University Press.

Easterlin, Richard A. 1974. Does economic growth impugn the human lot? In *Nations and households in economic growth*, ed. Paul A. David and Melvin W. Reder, 89–125. New York: Academic Press.

Gottschalk, Peter. 1982. Have we lost the war on poverty? *Challenge* 25, no. 2: 57–58.

Hirschman, Albert O. 1979. *Shifting involvements*. Princeton: Princeton University Press.

Key, V. O., Jr. 1961. *Public opinion and American democracy*. New York: Alfred A. Knopf.

Leuchtenberg, William E. 1963. *Franklin Roosevelt and the New Deal*. New York: Harper and Row.

Levy, Frank, and Richard Michel. 1983. The way we'll be in 1984: Recent changes in the distribution of disposible income. Urban Institute. Mimeo.

Miller, Warren E., Arthur H. Miller, and Edward J. Schneider. 1980. *American national election studies data sourcebook*. Cambridge: Harvard University Press.

Moynihan, Daniel P. 1967. The president and the Negro: The moment lost. *Commentary Magazine*, Feb., 31–45.

Rainwater, Lee, and William L. Yancey. 1967. *The Moynihan Report and the politics of controversy*. Cambridge: MIT Press.

Schiltz, Michael. 1970. *Public attitudes toward Social Security, 1935–1965*. Office of Research, Social Security Administration, Research Report #33. Washington, D.C.: GPO.

Smith, Tom W. 1980. America's most important problem: A trend analysis, 1946–1976. *Public Opinion Quarterly* 44, no. 2: 164–80.

Stein, Herbert. 1969. *The fiscal revolution in America*. Chicago: University of Chicago Press.

Sundquist, James L. 1968. *Politics and policy: The Eisenhower, Kennedy, and Johnson years*. Washington, D.C.: Brookings Institution.

U.S. Department of Commerce. Bureau of the Census. *Census of Population*. Various editions.
______. *Current Population Reports*. Various editions.

Comment Lee Rainwater

Frank Levy's chapter opens for exploration an important area at the borderline between the social psychology of well-being and the macroeconomics of growth. He explores the trade-off between public and private goods, between politics and markets, in the determination and the distribution of resources for well-being.

This is relatively uncharted territory. As one explores the empirical basis for assessing relative levels of subjective well-being it becomes apparent how extremely mushy these variables are and how ambiguous must be any effort to test a model such as the one Levy develops. Indeed a model of the abstractness of the Hirschman (HM) cycle is perhaps impossible to test empirically given the validity and the reliability of the data-gathering techniques available to us. But nevertheless an effort to array systematically the evidence, such as it is, can open the way hopefully to more successful efforts in the future.

In this discussion I would like to deal with only three of the many interesting issues raised by the chapter. First, the question of happiness measures and Easterlin's law. Next, I will raise some alternative possibilities for explaining the decline in support for government initiatives which the paper charts. And finally, I will raise some questions about the utility of the Hirschman cycle for helping us understand the pattern of government expenditures over the past two decades.

So far, systematic analyses of responses to happiness questions confirm Easterlin's assertions that economic growth does not seem to increase the expressed happiness of the general public. In the most intensive examination of this issue by James Davis, the author summarizes his findings as follows:

> Data from 17 U.S. national surveys (1948–1975) are analyzed to resolve Easterlin's paradox—reported happiness is correlated with socio-economic status, but there seems to be no secular increase in happiness despite great socio-economic progress since World War II. A four variable (race, education, marital status, and happiness) categorical flow graph model is estimated for the period 1952–1975 with these conclusions: blacks and the non-married are distinctly less happy, the better-educated are slightly more happy. The increase in levels of education is

Lee Rainwater is professor of sociology at Harvard University.

> shown to produce a statistically significant increase in happiness but the increase is (1) offset by negative trends from greater proportions of ex-married and blacks, (2) is diluted by erratic residual fluctuation and (3) is very small, something like 0.0005 per year. (Davis 1975)

Davis comments that one might say that in the entire post–World War II period a little over two million more Americans have been made happy.

Davis was not able to use income as a variable because of problems of missing data and different categorizations of the variable so he uses education as a proxy. The results, however, suggest that the sameness we see can be a result of compensating changes in the population. We know that something like that has happened with respect to income distribution with changes in family arrangements, pushing the distribution in a more unequal direction while other forces have created greater equality within the dominant family type of married couples.

Thus it may not really make too much sense to use a happiness measure for the total population as an aggregate measure for any kind of refined analysis. The stability of the proportion of the population that is happy over a long period of time and across countries is a striking finding; Easterlin was right to call our attention to how it challenges a lot of assumptions about relationships of affluence and happiness. I think that to go further than that one will have to mess around with the details of exactly who is happy, and changing patterns over time in who is happy. This is particularly the case in connection with the ideas behind the HM cycle because the reality of the welfare state is not one in which the same individuals trade off between public and private goods but rather one in which some individuals give up private goods in order that others may have public transfer income. Thus, it would be very interesting to look at changes over time in happiness measures for wage receivers versus transfer receivers, as this interacts with age.

A great deal of the work on satisfaction with life seems to suggest that individuals evaluate their life situations primarily in terms of the social situation close at hand. Thus satisfaction with family, with neighborhood, with social contacts are crucial in determining overall life satisfaction, as is satisfaction with job. Satisfaction with more distant aspects of life, like local and national politics, takes very much a back seat (see Andrews and Withy 1976; Campbell, Converse, and Rogers 1976). Thus any theory will be incomplete if it cannot specify the connections between macroevents and people's experiences in their daily lives with family, friends, neighborhood, and jobs.

There is the further worrying fact that no objective characteristics seem to have a strong causal relationship with happiness and satisfaction measures. The best predictors of overall satisfaction are other attitudinal factors about specific aspects of one's life situation. Easterlin's theory does not run into problems with this complexity because it simply asserts that people evaluate their situations comparatively with reference to the world they know, and that so long as one's relative standing in society does not change, one's reasons for being satisfied or unsatisfied are not likely to change.

The second set of concerns I would raise about the HM cycle theory as a historical explanation of public attitudes toward government during this period has to do with the possible powerful effect of noneconomic factors on public perceptions and the role of government. The HM cycle theory predicts support for public spending through the 1960s and then a decline in support in the 1970s due to both satiation and the end of the Golden Age. However, public attitudes toward government initiatives in the 1960s were extremely mixed. While there was strong support for expansion of some kinds of programs like Social Security from a fairly early time after their initiation there was strong opposition to other kinds of spending. The War on Poverty had a very mixed reception from its very beginning.

It seems to me that disenchantment with the Great Society can be better understood as a reaction to the massive social changes instituted during the 1960s by a variety of forces, than as a redressing of the balance in the trade-off between public and private goods. The centuries-old system of race relations was shattered by the civil rights revolution of the early 1960s. That left a lot of white people very unhappy, as anyone who remembers the broad support for George Wallace knows. The life-style revolution that followed rapidly on the civil rights revolution and was symbolized in different ways by the flower children and the new kinds of political activism similarly challenged traditional views concerning what was right and proper in society. Since all of these changes were reinterpreted as in some sense a product of government activity, or at least as encouraged by liberal government, it is not surprising that already by the mid-1960s one found resistance building to government-engineered social change. We know that there was an extremely rapid change in the perception of what government was doing for blacks during the mid-1960s.

I think this rapid buildup of negative views during the 1960s is difficult to rationalize in terms of the HM cycle because it comes much too early for satiation to have set in.

The Hirschman cycle is presented as a theory of welfare backlash. But Hirschman himself doesn't seem to have thought of his model of shifting involvement that way. He discusses government services in his section on consumer disappointment, relates backlash to frustration with services generally, and seems to reserve the idea of the public for "public life" rather than public consumption (Hirschman 1982, pp. 34–45).

There has of course been a great deal of comparative research in this area in the past decade by people like Harold Wilensky, Peter Flora, and Walter Korpi, and Gosta Esping-Andersen. Thus Hirschman's cyclic theory, as stated, applies to all of the advanced industrial democracies. In evaluating the theory, one needs to look at the phenomenon of public goods satiation comparatively.

I must say I do not find the theory particularly attractive. It is extremely abstract. I do not believe that political actors react to the abstract categories of public versus private goods except in a rhetorical or ideological sense and that is not at all what the HM cycle model is talking about. It deals with behavioral responses to the experience of a greater or lesser rate of growth in public expenditures. Most of the work on the growth of the welfare state (which is the principal element in the growth of government expenditure in all of the advanced industrial democracies) suggests that political actors think in terms of particular programs and make decisions to expand or contract particular kinds of programs. After all, the major components of growth in the post–World War II period are pensions, health care, and education. To support a theory like the HM cycle one would have to demonstrate its operation concretely with respect to these kinds of programs. In other words, to talk of trade-off between public and private consumption expenditure pushes one toward treating these two as relatively homogeneous categories, while the nitty-gritty of the political-economic development of programs suggests that that is not the case.

To the extent that the Hirschman cycle responds to patterns of economic growth then one would expect a great deal of similarity in patterns of welfare state growth in these countries. What we find however is a great deal of diversity. There is no strong correlation between the endpoint and the starting point. The welfare state leaders of 1950 or 1960 are not necessarily the same as those of 1970 or 1980. Countries have experienced government expenditure growth at vastly different rates, and the timing of the periods of greater or lesser growth have been different in different countries.

As soon as one focuses on a number of countries rather than just on the United States, numerous contradictions to the theory appear. For example, if satiation with public consumption is produced by higher spending levels, how can it be that opposition to spending seems strongest in the United States, with the lowest level of social program coverage and spending, and less strong in Germany and France with very high levels of spending and program coverage (Coughlin 1982, p. 152; Wilensky 1976)?

If there is an HM cycle, it has a very different history in each of the advanced industrial nations despite the fact that their economic histories up until the mid-1970s have shown remarkable similarities. We do know that within the range of some eighteen advanced industrial democracies no strong relationship exists between the rate of economic growth and the growth of government expenditures.

The slowing down of the rate of growth, which has affected almost all countries, began in roughly 1975, but I think this is much more easily explained by the economic crisis than by a more complicated theory of satiation. It should be noted also that if one takes the end of the Golden Age as 1973, over some fifteen nations for which there is complete data on average government expenditures grew twice as fast as a proportion of GNP in the period 1974–80 as in the period 1960–73. On average, over half the growth of government expenditures as a proportion of GNP between 1960 and 1980 took place after 1973. And this was true of such diverse countries as Great Britain, Sweden, France, Australia, and Japan. By 1980 only two countries, the United States and Germany, had actually reduced government expenditures as a proportion of GNP from the 1975 level.

For these various reasons therefore, I think the HM cycle theory will not survive as an explanation for changes in public support for public goods, or as a hidden factor sustaining happiness at its constant level.

On the other hand, the kinds of explorations that the chapter makes in the murky borderland between economics and social psychology are important because only if efforts are made to move beyond theory to empirical testing can we hope to improve our understanding of how social and economic forces form preferences, and how those preferences in turn play back into the political economy.

References

Andrews, Frank M., and Steven B. Withy. 1976. *Social indicators of well-being: Americans' perceptions of life quality*. New York: Plenum Press.

Campbell, Angus, Philip E. Converse, and Willard L. Rogers. 1976. *The quality of American life: Perceptions, evaluation, and satisfaction*. New York: Russell Sage Foundation.

Coughlin, Richard M. 1980. *Ideology, public opinion, and welfare policy*. Institute of International Studies. Berkeley: University of California Press.

Davis, James A. 1975. Does economic growth improve the human lot? Paper presented Sept. 8 at the International Conference on Subjective Indicators of the Quality of Life, Fitzwilliam College, Cambridge, England.

Hirschman, Albert O. 1982. *Shifting involvements: Private interest and public action*. Princeton: Princeton University Press.

Wilensky, Harold L. 1976. *The "new corporatism," centralization, and the welfare state*. London and Beverly Hills: Russell Sage Foundation.

This Page Intentionally Left Blank